

**Before the
Public Service Commission of South Carolina
Docket No. 2015-4-G**

**Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies
of
Piedmont Natural Gas Company, Inc.**

**Testimony and Exhibits
of
Robert L. Thornton**

**On Behalf Of
Piedmont Natural Gas Company, Inc.**



June 3, 2015

1 **Q. Please state your name and business address.**

2 A. My name is Robert L. Thornton. My business address is 4720 Piedmont Row
3 Drive, Charlotte, North Carolina.

4 **Q. What is your position and what are your responsibilities with Piedmont**
5 **Natural Gas Company?**

6 A. I am employed as Managing Director of Gas and Regulatory Accounting.

7 **Q. Please briefly describe your education and experience.**

8 A. I received a B.S. degree from The College of Charleston in 1984. In 1985, I
9 was employed by Duke Power Company as a staff accountant. In 1990 I was
10 employed by Ingersoll-Dresser Pump Company as Controller. In 1994, I was
11 employed by Public Service Company of North Carolina, Inc. ("PSNC") as a
12 Senior Financial Accountant and was promoted to Director – Investor Relations
13 and Financial Projects in 1998. After PSNC was acquired by SCANA
14 Corporation, I was employed by Cox Technologies in 2000 as Controller and
15 Assistant Treasurer. In 2004, I was employed by HSBC Mortgage Corp. as
16 Manager of Regulatory and Investor Reporting. I was employed by Piedmont
17 Natural Gas Company, Inc. ("Piedmont") in 2007 as Manager of Gas
18 Accounting. I was promoted to Director of Gas and Regulatory Accounting in
19 February 2008 and to Managing Director of Gas and Regulatory Accounting in
20 March 2014.

21 **Q. Please describe your responsibilities as Managing Director of Gas and**
22 **Regulatory Accounting.**

23 A. My responsibilities include: recording the cost of gas on Piedmont's books,

1 maintaining a proper match of revenues and cost of gas in Piedmont's income
2 statements, recording Piedmont's margin in accordance with regulatory
3 requirements in each of the three state jurisdictions in which Piedmont operates,
4 verifying volumes and prices on all invoices relating to the purchase and
5 transportation of natural gas, and recording gas inventory accounts and deferred
6 accounts. I am also responsible for the middle office functions related to daily
7 reconciliation of purchases and sales of gas as well as the experimental hedging
8 program implemented in South Carolina pursuant to Commission Order No.
9 2002-223 dated March 26, 2002. I am also responsible for the billing functions
10 associated with the Company's large-volume customers.

11 **Q. Have you previously testified before this Commission or any other**
12 **regulatory authority?**

13 A. Yes. I have previously testified before the Public Service Commission of South
14 Carolina, the North Carolina Utilities Commission and the Tennessee
15 Regulatory Authority on a number of occasions.

16 **Q. What is the purpose of your testimony in this proceeding?**

17 A. The purpose of my testimony in this proceeding is to report to the Commission
18 Piedmont's end-of-period balances in and accounting for its deferred gas costs
19 accounts in order to permit the Commission to determine that Piedmont's true-
20 up procedures for the review period have resulted in a properly stated cost of
21 gas and that Piedmont's gas costs are properly recorded in compliance with

1 Piedmont's Gas Cost Recovery Mechanism and Hedging Plan.

2 **Q. Has the Office of Regulatory Staff reviewed Piedmont's accounting for its**
3 **cost of gas for the review period in this proceeding?**

4 A. Yes. The Commission has previously ordered the Company to maintain an
5 account reflecting its gas costs each month, the amount of gas costs recovered
6 each month, and amounts deferred each month. The audit staff of the ORS has
7 conducted a detailed audit and review of the review period activity in that
8 account, as well as the detailed data supporting the accounting entries to that
9 account. A summary of the review period activity in that account is attached
10 hereto as **Exhibit__ (RLT-1)**.

11 **Q. Does the Company also maintain a hedging deferred account?**

12 A. Yes. Effective April 1, 2002, Piedmont implemented an experimental natural
13 gas hedging program pursuant to Commission Order No. 2002-223. Pursuant
14 to this program, Piedmont maintains a Hedging Deferred Account in which it
15 records the results of its hedging activities undertaken in accordance with its
16 hedging plan. The audit staff of the Office of Regulatory Staff has also
17 conducted a detailed review of the activity in this account and the detailed
18 accounting data supporting that activity. A summary of the review period
19 activity in Piedmont's Hedging Deferred Account is attached hereto as
20 **Exhibit__ (RLT-2)**.

21 **Q. Did Piedmont and ORS resolve the curtailment billing matter that was**

1 **under discussion in Docket No. 2014-4-G?**

2 A. Yes. The matter involved the issue of whether it was appropriate to bill two
3 Emergency Service customers a commodity charge where the customers
4 supplied their own gas for service. Piedmont did not bill the two Emergency
5 Service customers for the commodity component of Rate Schedule 206.
6 Piedmont did charge the two customers with all other applicable components of
7 its Rate Schedule 206 charges applicable to Emergency Services. Piedmont
8 acknowledged that not billing the commodity component was in error and made
9 an adjustment in the current prudence review period in the amount of
10 \$41,207.16.

11 **Q. Did Piedmont have any additional curtailment billing in the current**
12 **review period, and if so, did Piedmont follow the Rate Schedule 206 billing**
13 **requirements?**

14 A. Yes. Piedmont billed four customers in January 2015 in the amount of
15 \$18,409.77 and thirty-one customers in February 2015 in the amount of
16 \$147,838.67, as directed in Rate Schedule 206.

17 **Q. Does this conclude your testimony?**

18 A. Yes.

Piedmont Natural Gas Company, Inc.
Annual Review
2015-4-G

Exhibit__ (RLT-1)

Piedmont Natural Gas Co., Inc. - South Carolina
Gas Cost Deferred Account Activity
Annual Prudence Review - Docket No. 2015-4-G
12 Months Ended March 31, 2015
Debits (Credits)

Exhibit__ (RLT-1)

| Reporting Month ==> | May-14 | Jun-14 | Jul-14 | Aug-14 | Sep-14 | Oct-14 | Nov-14 | Dec-14 | Jan-15 | Feb-15 | Mar-15 | Apr-15 | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Gas Flow Month ==> | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 | Sep-14 | Oct-14 | Nov-14 | Dec-14 | Jan-15 | Feb-15 | Mar-15 | Totals |
| Beginning Balance | (9,670,461.43) | (9,269,678.47) | (8,362,541.95) | (7,232,862.66) | (5,792,212.92) | (4,610,966.63) | (3,674,437.02) | (2,481,692.98) | (3,903,357.23) | (5,040,850.73) | (8,175,913.17) | (13,305,511.55) | |
| Billed vs. Filed Commodity True - Up | 372,000.71 | 96,394.12 | 178,030.75 | 201,509.80 | 224,761.86 | 74,509.32 | 122,765.39 | 58,139.54 | 491,737.68 | (337,406.04) | 945,876.61 | 4,238,237.13 | 6,666,556.87 |
| Demand True-Up | 298,604.99 | 896,075.16 | 1,049,868.11 | 1,086,821.15 | 1,094,503.61 | 981,033.42 | 727,157.16 | (715,351.43) | (1,005,967.94) | (1,897,762.49) | (2,440,837.72) | (336,938.26) | (262,794.24) |
| Negotiated Losses | 49,692.19 | 47,020.88 | 56,992.43 | 57,528.95 | 46,193.18 | 49,540.94 | 61,961.08 | 122,394.77 | 122,321.12 | 126,574.94 | 95,636.20 | 61,468.49 | 897,325.17 |
| Capacity Release Credits | (213,344.94) | (242,590.72) | (233,878.35) | (238,211.67) | (238,011.08) | (236,481.90) | (213,737.73) | (339,300.64) | (475,886.67) | (482,451.69) | (434,272.71) | (727,148.63) | (4,075,316.73) |
| SC Portion of Off System Sales Revenue | (282,667.38) | (158,937.58) | (205,807.11) | (328,641.22) | (470,735.65) | (222,521.08) | (447,912.72) | (1,240,744.69) | (916,126.89) | (3,032,224.51) | (4,898,242.34) | (865,048.01) | (13,069,609.18) |
| SC Portion of Off System Sales Costs | 276,139.67 | 157,230.69 | 204,146.10 | 320,382.87 | 455,564.50 | 220,105.40 | 435,035.10 | 1,158,011.26 | 895,600.71 | 1,947,466.91 | 1,900,655.39 | 634,700.66 | 8,605,039.26 |
| WNA | (33.51) | (633.21) | (91.63) | 8.86 | 3.68 | (21.31) | (35.59) | (270,246.66) | (403,958.16) | 453,582.37 | (360,046.85) | (1,346,618.98) | (1,928,090.99) |
| Supplier Refunds | (644.83) | - | (1,354.22) | (31.94) | (6,473.69) | (14,053.01) | - | (814.85) | (4,998.17) | - | - | - | (28,370.71) |
| SC - Uncollectibles | 63,710.71 | 107,492.86 | 108,914.41 | 145,007.18 | 67,190.20 | 37,816.71 | 1,449.70 | 21,909.97 | (6,806.37) | (10,520.60) | (3,954.59) | 9,751.13 | 541,961.31 |
| Monthly Hedging Transfer | (136,691.33) | 27,903.17 | (6,608.33) | 213,678.94 | 21,224.45 | 57,492.45 | 513,708.95 | (208,170.55) | 177,099.45 | 110,492.00 | 89,298.40 | 128,597.95 | 988,025.55 |
| Other Adjustments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ending Balance Before Interest | (9,243,695.15) | (8,339,723.10) | (7,212,329.79) | (5,774,809.74) | (4,597,991.86) | (3,663,545.69) | (2,474,045.68) | (3,895,866.26) | (5,030,342.47) | (8,163,099.84) | (13,281,800.78) | (11,508,510.07) | |
| Interest | (25,983.32) | (22,818.85) | (20,532.87) | (17,403.18) | (12,974.77) | (10,891.33) | (7,647.30) | (7,490.97) | (10,508.26) | (12,813.33) | (23,710.77) | (26,675.07) | (199,450.02) |
| Ending Balance | (9,269,678.47) | (8,362,541.95) | (7,232,862.66) | (5,792,212.92) | (4,610,966.63) | (3,674,437.02) | (2,481,692.98) | (3,903,357.23) | (5,040,850.73) | (8,175,913.17) | (13,305,511.55) | (11,535,185.14) | |
| Monthly Interest Rate | 3.297% | 3.110% | 3.164% | 3.211% | 2.997% | 3.159% | 2.985% | 2.819% | 2.823% | 2.329% | 2.652% | 2.580% | |

Piedmont Natural Gas Company, Inc.
Annual Review
2015-4-G

Exhibit__ (RLT-2)

Piedmont Natural Gas Company, Inc. - South Carolina
Hedging Account Activity
Annual Prudence Review - Docket No. 2015-4-G
12 Months Ended March 31, 2015
Debits (Credits)

Exhibit__(RLT-2)

| | | # of Contracts Executed / Exercised | Beginning Balance | Net Options Premium | Fees 1 | Margin Requirement (P&L Cash Act) | Consultant Fees | Proceeds from Positions | Fees 2 | Interest from Brokerage Account | Other Monthly Fee | Monthly Gain / Loss Transfer |
|----------------|---|--|-------------------|------------------------|-----------|---|--------------------|----------------------------|--------|---------------------------------------|-------------------------|---------------------------------|
| April 2014 | | 34 | \$ - | (137,980.00) | 527.00 | - | 746.00 | - | - | - | 15.67 | (136,691.33) |
| May 2014 | | 33 | \$ - | 26,630.00 | 511.50 | - | 746.00 | - | - | - | 15.67 | 27,903.17 |
| June 2014 | | 8 | \$ - | (8,240.00) | 124.00 | - | 1,492.00 | - | - | - | 15.67 | (6,608.33) |
| July 2014 | | 135 | \$ - | 210,809.27 | 2,108.00 | - | 746.00 | - | - | - | 15.67 | 213,678.94 |
| August 2014 | | 14 | \$ - | 21,000.00 | 217.00 | - | - | - | - | - | 7.45 | 21,224.45 |
| September 2014 | | 38 | \$ - | 56,150.00 | 589.00 | - | 746.00 | - | - | - | 7.45 | 57,492.45 |
| October 2014 | * | 342 | \$ - | 507,670.00 | 5,285.50 | - | 746.00 | - | - | - | 7.45 | 513,708.95 |
| November 2014 | | 60 | \$ - | (210,600.00) | 930.00 | - | 1,492.00 | - | - | - | 7.45 | (208,170.55) |
| December 2014 | | 124 | \$ - | 175,170.00 | 1,922.00 | - | - | - | - | - | 7.45 | 177,099.45 |
| January 2015 | | 80 | \$ - | 107,760.00 | 1,240.00 | - | 1,492.00 | - | - | - | - | 110,492.00 |
| February 2015 | | 72 | \$ - | 87,420.00 | 1,116.00 | - | 746.00 | - | - | - | 16.40 | 89,298.40 |
| March 2015 | | 107 | \$ - | 126,185.25 | 1,658.50 | - | 746.00 | - | - | - | 8.20 | 128,597.95 |
| | | | Activity Totals | 961,974.52 | 16,228.50 | - | 9,698.00 | - | - | - | 124.53 | 988,025.55 |

* An option was unwound in July 2014, but the fee was not credited because it was a Piedmont error. This amount, \$15.50, will be credited to the 25304 account in October 2014 via a miscellaneous journal entry, which will include the associated interest.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached documents are being served this date via email and UPS Overnight (via email and UPS Overnight) upon:

C. Lessie Hammonds
Jeffrey M. Nelson
Office of Regulatory Staff
1401 Main Street
Suite 900
Columbia, South Carolina 29201
lhammon@regstaff.sc.gov
jnelson@regstaff.sc.gov

And that a copy of the attached documents are being served this date via email upon:

David Carpenter
Vice President – Planning and Regulatory Affairs
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233
david.carpenter@piedmontng.com

Pia Powers
Director - Regulatory Affairs
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233
pia.powers@piedmontng.com

This the 3rd day of June, 2015.

s/ James H. Jeffries IV
James H. Jeffries IV